

ARES CAPITAL CORP  
Form 10-Q  
November 04, 2010  
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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**

**For the quarterly period ended September 30, 2010**

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**

**For the transition period                      to**

**Commission File No. 000-50697**

**ARES CAPITAL CORPORATION**

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(Exact name of Registrant as specified in its charter)

**Maryland**  
(State or other jurisdiction of  
incorporation or organization)

**33-1089684**  
(I.R.S. Employer  
Identification Number)

**280 Park Avenue, 22nd Floor, Building East, New York, NY 10017**

(Address of principal executive office) (Zip Code)

**(212) 750-7300**

(Registrant's telephone number, including area code)

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**N/A**

(Former name, former address and former fiscal year, if changed since last report)

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer   
(Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

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Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

<b>Class</b>	<b>Outstanding at November 4, 2010</b>
Common stock, \$0.001 par value	192,566,434

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(dollar amounts in thousands, except per share data)

	September 30, 2010 (unaudited)	As of	December 31, 2009
<b>ASSETS</b>			
Investments at fair value (amortized cost of \$4,174,139 and \$2,376,384, respectively)			
Non-controlled/non-affiliate company investments	\$ 2,343,641	\$	1,568,423
Non-controlled affiliate company investments	565,988		276,351
Controlled affiliate company investments	1,240,161		327,040
Total investments at fair value	4,149,790		2,171,814
Cash and cash equivalents	134,362		99,227
Interest receivable	88,184		28,019
Other assets	59,845		14,455
Total assets	\$ 4,432,181	\$	2,313,515
<b>LIABILITIES</b>			
Debt	\$ 1,524,143	\$	969,465
Management and incentive fees payable	33,241		66,495
Accounts payable and accrued expenses	79,996		16,533
Interest and facility fees payable	16,325		2,645
Payable for open trades			489
Total liabilities	1,653,705		1,055,627
Commitments and contingencies (Note 6)			
<b>STOCKHOLDERS EQUITY</b>			
Common stock, par value \$.001 per share, 300,000,000 common shares authorized, 192,566,434 and 109,944,674 common shares issued and outstanding, respectively	193		110
Capital in excess of par value	2,656,890		1,490,458
Accumulated (overdistributed) undistributed net investment income	(25,264)		3,143
Accumulated net realized gain (loss) on investments, foreign currency transactions, extinguishment of debt and acquisitions	171,454		(31,115)
Net unrealized loss on investments and foreign currency transactions	(24,797)		(204,708)
Total stockholders equity	2,778,476		1,257,888
Total liabilities and stockholders equity	\$ 4,432,181	\$	2,313,515
<b>NET ASSETS PER SHARE</b>	\$ 14.43	\$	11.44

See accompanying notes to consolidated financial statements.

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(dollar amounts in thousands, except per share data)

	For the three months ended		For the nine months ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>INVESTMENT INCOME:</b>				
From non-controlled/non-affiliate company investments:				
Interest from investments	\$ 66,319	\$ 49,728	\$ 177,285	\$ 138,866
Capital structuring service fees	8,122		15,258	1,653
Management fees	1,711	29	4,261	29
Dividend income	1,381	525	3,299	1,568
Interest from cash & cash equivalents	47	35	75	245
Other income	1,094	1,501	3,648	4,198
Total investment income from non-controlled/non-affiliate company investments	78,674	51,818	203,826	146,559
From non-controlled affiliate company investments:				
Interest from investments	13,607	4,916	33,602	17,019
Dividend income	127	148	318	285
Management fees	75	63	363	1,380
Other income	63	140	485	308
Total investment income from non-controlled affiliate company investments	13,872	5,267	34,768	18,992
From controlled affiliate company investments:				
Interest from investments	27,908	2,255	62,545	7,348
Capital structuring service fees	12,489		15,146	194
Dividend income	2,415	1,511	4,211	1,511
Management fees	2,652		5,430	1,286
Other income	116	30	300	118
Total investment income from controlled affiliate company investments	45,580	3,796	87,632	10,457
Total investment income	138,126	60,881	326,226	176,008
<b>EXPENSES:</b>				
Interest and credit facility fees	22,755	5,721	54,453	18,603
Incentive management fees	17,805	8,227	40,922	23,764
Base management fees	15,436	7,508	35,574	22,502
Professional fees	3,233	2,044	9,191	5,749
Administrative	2,642	809	6,251	2,905
Professional fees and other costs related to the acquisition of Allied Capital Corporation	1,450	1,989	17,773	1,989
Rent	1,565	301	3,659	1,458
Insurance	539	313	1,433	988
Depreciation	252	167	662	505

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Directors fees	198	134	476	370
Other	1,195	308	3,006	1,558
Total expenses	67,070	27,521	173,400	80,391
NET INVESTMENT INCOME BEFORE INCOME TAXES				
	71,056	33,360	152,826	95,617
Income tax expense (benefit), including excise tax	(164)	454	360	563
NET INVESTMENT INCOME				
	71,220	32,906	152,466	95,054
REALIZED AND UNREALIZED GAINS (LOSSES) ON INVESTMENTS AND FOREIGN CURRENCY TRANSACTIONS:				
Net realized gains (losses):				
Non-controlled/non-affiliate company investments	1,225	12,049	10,998	9,887
Non-controlled affiliate company investments	9		(3,725)	(482)
Controlled affiliate company investments	(6)	(13,705)	1,296	(13,705)
Foreign currency transactions			85	68
Net realized gains (losses)	1,228	(1,656)	8,654	(4,232)
Net unrealized gains (losses):				
Non-controlled/non-affiliate company investments	17,509	(552)	113,590	1,336
Non-controlled affiliate company investments	16,064	14,916	35,152	3,644
Controlled affiliate company investments	23,934	17,699	31,321	10,773
Foreign currency transactions		(37)	(152)	(55)
Net unrealized gains (losses)	57,507	32,026	179,911	15,698
Net realized and unrealized gains (losses) from investments and foreign currency transactions				
	58,735	30,370	188,565	11,466
GAIN ON THE ACQUISITION OF ALLIED CAPITAL CORPORATION				
			195,876	
REALIZED GAIN (LOSS) ON EXTINGUISHMENT OF DEBT				
	(1,578)		(1,961)	26,543
NET INCREASE IN STOCKHOLDERS EQUITY RESULTING FROM OPERATIONS				
	\$ 128,377	\$ 63,276	\$ 534,946	\$ 133,063
BASIC AND DILUTED EARNINGS PER COMMON SHARE (Note 4)				
	\$ 0.67	\$ 0.62	\$ 3.16	\$ 1.34
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING BASIC AND DILUTED (Note 4)				
	192,167,337	102,831,909	169,499,905	99,066,652

See accompanying notes to consolidated financial statements.

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As of September 30, 2010 (unaudited)

(dollar amounts in thousands, except per unit data)

Company(1)	Industry	Investment	Interest(5)(10)	Acquisition Date	Amortized Cost	Fair Value	Fair Value Per Unit	Percentage of Net Assets
<b>Investment Funds</b>								
AGILE Fund I, LLC (7)	Investment partnership	Member interest (0.50% interest)		4/1/2010	\$ 264	\$ 217	(16)	
BB&T Capital Partners/Windsor Mezzanine Fund, LLC (6)	Investment partnership	Member interest (32.59% interest)		4/1/2010	12,877	15,190		
Callidus Debt Partners CDO Fund I, Ltd. (8)	Investment company	Class C notes (\$18,800 par due 12/2013)	4.59%	4/1/2010	2,518	1,448	\$ 0.08(16)	
		Class D notes (\$9,400 par due 12/2013)		4/1/2010		\$	(13)(16)	
					2,518	1,448		
Callidus Debt Partners CLO Fund III, Ltd. (8)	Investment company	Preferred shares (23,600,000 shares )	9.05%	4/1/2010	4,753	6,874	\$ 0.31(16)	
Callidus Debt Partners CLO Fund IV, Ltd. (8)	Investment company	Class D notes (\$3,000 par due 4/2020)	4.84% (Libor + 4.55%/Q)	4/1/2010	1,789	1,741	\$ 0.58(16)	
		Subordinated notes (\$17,500 par due 4/2020)	14.03%	4/1/2010	7,216	10,285	\$ 0.59(16)	
					9,005	12,026		
Callidus Debt Partners CLO Fund V, Ltd. (8)	Investment company	Subordinated notes (\$14,150 par due 11/2020)	19.70%	4/1/2010	8,692	11,096	\$ 0.78(16)	
Callidus Debt Partners CLO Fund VI, Ltd. (8)	Investment company	Class D notes (\$9,000 par due 10/2021)	6.29% (Libor + 6.00%/Q)	4/1/2010	3,962	4,241	\$ 0.47(16)	
		Subordinated notes (\$25,500 par due 10/2021)	18.39%	4/1/2010	11,050	17,101	\$ 0.67(16)	
					15,012	21,342		
Callidus Debt Partners CLO Fund VII, Ltd. (8)	Investment company	Subordinated notes (\$28,000 par due 1/2021)	13.27%	4/1/2010	10,374	15,080	\$ 0.54(16)	



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Callidus MAPS CLO Fund I LLC	Investment company	Class E notes (\$17,000 par due 12/2017)	5.80% (Libor + 5.53%/Q)	4/1/2010	11,679	11,244	\$	0.66(16)
		Subordinated Notes (\$47,900 par due 12/2017)	9.18%	4/1/2010	13,419	17,946	\$	0.37(16)
					25,098	29,190		
Callidus MAPS CLO Fund II, Ltd.	Investment company	Class D notes (\$7,700 par due 7/2022)	4.54% (Libor + 4.25%/Q)	4/1/2010	3,324	4,049	\$	0.53(16)
		Subordinated notes (\$17,900 par due 7/2022)	19.30%	4/1/2010	8,977	12,906	\$	0.72(16)
					12,301	16,955		
Catterton Partners VI, L.P.	Investment partnership	Limited partnership interest (0.50% interest)		4/1/2010	1,721	2,226		
CIC Flex, LP (9)	Investment partnership	Limited partnership units (0.94 unit)		9/7/2007	53		\$	(16)
Cortec Group Fund IV, L.P.	Investment partnership	Limited partnership interest (2.53% interest)		4/1/2010	4,628	4,355		(16)
Covestia Capital Partners, LP (9)	Investment partnership	Limited partnership interest (47.00% interest)		6/17/2008	1,059	982		(16)
Dryden XVIII Leveraged Loan 2007 Limited (8)	Investment company	Class B notes (\$9,000 par due 10/2019)	4.79% (Libor + 4.50%/Q)	4/1/2010	3,753	3,562	\$	0.40(16)
		Subordinated notes (\$21,164 par due 10/2019)	22.03%	4/1/2010	12,715	16,486	\$	0.78(16)
					16,468	20,048		
Dynamic India Fund IV	Investment company	Member interest (5.44% interest)		4/1/2010	4,822	4,822		(16)
Fidus Mezzanine Capital, L.P.	Investment partnership	Limited partnership interest (29.12% interest)		4/1/2010	9,206	9,588		
Firstlight Financial Corporation (6)(9)	Investment company	Senior subordinated loan (\$73,625 par due 12/2016)	1.00% PIK	12/31/2006	73,433	47,857	\$	0.65(4)(16)
		Common stock (10,000 shares )		12/31/2006	10,000		\$	(16)
		Common stock (30,000 shares )		12/31/2006	30,000		\$	(16)
					113,433	47,857		
HCI Private Equity Managers, LP (7) (8)	Investment company	Member interest (100% interest)		4/1/2010	808	973	\$	0.81(16)
Ivy Hill Middle Market Credit Fund, Ltd. (7)(8)(9)	Investment company	Class B deferrable interest notes (\$40,000 par due 11/2018)	6.48% (Libor + 6.00%/Q)	11/20/2007	15,351	14,737	\$	0.96(16)
			15.50%	11/20/2007	40,000	37,200	\$	0.93(16)

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Subordinated notes  
(\$15,351 par due  
11/2018)

					55,351	51,937		
Knightsbridge CLO 2007-1 Ltd. (7)(8)	Investment company	Class E notes (\$20,350 par due 1/2022)	9.29% (Libor + 9.00%/Q)	3/24/2010	14,852	11,296	\$	0.56(16)
Knightsbridge CLO 2008-1 Ltd. (7)(8)	Investment company	Class C notes (\$14,400 par due 6/2018)	7.79% (Libor + 7.50%/Q)	3/24/2010	14,400	14,400	\$	1.00(16)
		Class D notes (\$9,000 par due 6/2018)	8.79% (Libor + 8.50%/Q)	3/24/2010	9,000	9,000	\$	1.00(16)
		Class E notes (\$14,850 par due 6/2018)	5.29% (Libor + 5.00%/Q)	3/24/2010	13,596	9,914	\$	0.67(16)
					36,996	33,314		
Kodiak Fund LP	Investment partnership	Limited partnership interest (1.52% interest)		4/1/2010	932	784		

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Novak Biddle Venture Partners III, L.P.	Investment partnership	Limited partnership interest (2.47% interest)		4/1/2010	697	673		(16)
Pangaea CLO 2007-1 Ltd. (8)	Investment company	Class D notes (\$15,000 par due 1/2021)	5.04% (Libor + 4.75%/Q)	4/1/2010	8,950	7,710	\$	0.51(16)
Partnership Capital Growth Fund I, LP (9)	Investment partnership	Limited partnership interest (25% interest)		6/16/2006	2,380	2,394		(16)
Senior Secured Loan Fund LLC (7) (15)	Investment partnership	Subordinated certificates (\$411,173 par due 12/2015)	(Libor + 8.00%/Q)	10/30/2009	400,451	425,500	\$	1.03(16)
SPP Mezzanine Funding II, L.P.	Investment partnership	Limited partnership interest (42.73% interest)		4/1/2010	5,605	6,226		(16)
Trivergance Capital Partners, LP (9)	Investment partnership	Limited partnership interest (100% interest)		6/5/2008	2,925			(16)
Webster Capital II, L.P.	Investment partnership	Limited partnership interest (2.44% interest)		4/1/2010	1,220	1,227		(16)
					<b>783,451</b>	<b>761,330</b>		<b>27.40%</b>
<b>Business Services</b>								
Avborne, Inc. (7)	Maintenance, repair and overhaul service provider	Common stock (27,500 shares)		4/1/2010	39	39	\$	1.42(16)
Aviation Properties Corporation(7)	Aviation services	Common stock (100 shares)		4/1/2010			\$	(16)
BenefitMall Holdings, Inc.	Employee benefits broker services company	Senior subordinated loan (\$40,326 par due 6/2014)	18.00%	4/1/2010	40,326	40,326	\$	1.00
		Common stock (39,274,290 shares )		4/1/2010	53,510	49,679	\$	1.26
		Warrants		4/1/2010			\$	
					93,836	90,005		
Booz Allen Hamilton, Inc.	Strategy and technology consulting services	Senior subordinated loan (\$211 par due 7/2016)	13.00%	7/31/2008	185	186	\$	0.88(16)
		Senior subordinated loan (\$10,484 par due 7/2016)	13.00%	7/31/2008	10,423	10,509	\$	1.00(2)
				7/31/2008	723	735	\$	1.00(3)(14)

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		Senior secured loan (\$735 par due 7/2015)	7.50% (Libor + 4.50%/Q)		11,331	11,430		
CitiPostal Inc. (7)	Document storage and management services	Senior secured revolving loan (\$691 par due 12/2013)	6.50% (Libor + 4.50%/M)	4/1/2010	691	691	\$	1.00(14)(16)
		Senior secured revolving loan (\$1,250 par due 12/2013)	6.75% (Base Rate + 3.50%/Q)	4/1/2010	1,250	1,250	\$	1.00(16)
		Senior secured loan (\$484 par due 12/2013)	11.00% Cash, 2.00% PIK	4/1/2010	484	484	\$	1.00(4)(16)
		Senior secured loan (\$49,585 par due 12/2013)	11.00% Cash, 2.00% PIK	4/1/2010	49,585	49,585	\$	1.00(2)(4)
		Senior subordinated loan (\$12,034 par due 12/2015)	16.00% PIK	4/1/2010	12,034	12,034	\$	1.00(4)(16)
		Common stock (37,024 shares )		4/1/2010			\$	
					64,044	64,044		

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Cook Inlet Alternative Risk, LLC	Risk management services	Senior secured loan		4/1/2010	25,124	25,114	\$	0.63(13)(16)
		(\$40,000 par due 4/2013)						
		Senior secured loan		4/1/2010	29,876	29,886	\$	0.63(13)(16)
		(\$47,600 par due 4/2013)						
		Member interest (3.17% interest)		4/1/2010				
					55,000	55,000		
Coverall North America, Inc. (7)	Commercial janitorial service provider	Senior secured loan	12.00%	4/1/2010	15,763	15,763	\$	1.00(2)
		(\$15,763 par due 7/2011)						
		Senior secured loan	12.00%	4/1/2010	15,864	15,864	\$	1.00(2)
		(\$15,864 par due 7/2011)						
		Senior subordinated loan (\$5,578 par due 7/2011)	15.00% Cash, 1.00% PIK	4/1/2010	5,574	1,290	\$	0.23(4)(16)
		Common stock (763,333 shares)		4/1/2010	2,999		\$	
					40,200	32,917		
Digital VideoStream, LLC	Media content supply chain services company	Senior secured loan	10.00% Cash, 1.00% PIK	4/1/2010	259	259	\$	1.00(4)(16)
		(\$259 par due 2/2012)						
		Senior secured loan (\$9 par due 2/2012)	10.00% Cash, 1.00% PIK	4/1/2010	7	9	\$	1.04(2)(4)
		Senior secured loan	10.00% Cash, 1.00% PIK	4/1/2010	10,567	10,626	\$	1.00(2)(4)
		(\$10,626 par due 2/2012)						
		Convertible subordinated loan (\$5,403 par due 2/2016)	10.00% PIK	4/1/2010	5,838	5,713	\$	1.06(4)(16)
					16,671	16,607		
Diversified Collection Services, Inc.	Collections services	Senior secured loan	7.50% (Libor + 5.50%/Q)	4/1/2010	7,000	7,000	\$	1.00(3)(14)
		(\$7,000 par due 3/2012)						
		Senior secured loan	13.75% (Libor + 11.75%/Q)	4/1/2010	34,000	34,000	\$	1.00(2)(14)
		(\$34,000 par due 9/2012)						
		Senior secured loan	13.75% (Libor + 11.75%/Q)	4/1/2010	2,000	2,000	\$	1.00(3)(14)
		(\$2,000 par due 9/2012)						
		Preferred stock (14,927 shares)		5/18/2006	169	284	\$	19.03(16)

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		Common stock (114,004 shares )		2/5/2005	295	520 \$	4.56(16)
		Common stock (478,816 shares )		4/1/2010	1,478	1,721 \$	3.59
					44,942	45,525	
Diversified Mercury Communications, LLC	Business media consulting services	Senior secured loan (\$1,957 par due 3/2013)	8.00% (Base Rate + 4.50%/Q)	4/1/2010	1,780	1,561 \$	0.80(14)(16)
Impact Innovations Group, LLC (7)	IT consulting and outsourcing services	Member interest (50% interest)		4/1/2010			
Investor Group Services, LLC (6)	Business consulting for private equity and corporate clients	Limited liability company membership interest (10.00% interest)		6/22/2006		538	
Market Track Holdings, LLC	Business media consulting services company	Senior subordinated loan (\$23,345 par due 6/2014)	11.50% Cash, 4.40% PIK	4/1/2010	23,345	23,345 \$	1.00(2)(4)
Multi-Ad Services, Inc. (6)	Marketing services and software provider	Senior secured loan (\$1,870 par due 11/2011)	11.25%	4/1/2010	1,870	1,870 \$	1.00(16)
		Preferred units (1,725,280 units)		4/1/2010	788	1,269 \$	0.73(16)
		Common units (1,725,280 units)		4/1/2010			(16)
					2,658	3,139	
MVL Group, Inc. (7)	Marketing research provider	Senior secured loan (\$25,260 par due 7/2012)	12.00%	4/1/2010	25,260	25,260 \$	1.00(16)
		Junior subordinated loan (\$37,127 par due 7/2012)	12.00% Cash, 2.50% PIK	4/1/2010	35,902	37,127 \$	1.00(4)(16)
		Junior subordinated loan (\$144 par due 7/2012)	10.00%	4/1/2010		24 \$	0.17(16)
		Common stock (554,091 shares )		4/1/2010		\$	(16)
		Common stock (6,625 shares )		4/1/2010		\$	(16)
					61,162	62,411	
PC Helps Support, LLC	Technology support provider	Senior secured loan (\$7,272 par due 12/2013)	3.55% (Libor + 3.25%/M)	4/1/2010	7,272	7,199 \$	0.99(3)
		Senior subordinated loan (\$23,764 par due 12/2013)	12.76%	4/1/2010	23,764	23,764 \$	1.00(16)
					31,036	30,963	

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Pillar Holdings LLC and PHL Holding Co. (6)	Mortgage services	Senior secured loan (\$1,875 par due 5/2014)	14.50%	7/31/2008	1,875	1,875 \$	1.00(16)
		Senior secured loan (\$5,500 par due 5/2014)	14.50%	7/31/2008	5,500	5,500 \$	1.00(2)
		Senior secured loan (\$14,937 par due 11/2013)	5.79% (Libor + 5.50%/B)	11/20/2007	14,937	14,937 \$	1.00(2)
		Senior secured loan (\$9,323 par due 11/2013)	5.79% (Libor + 5.50%/B)	11/20/2007	9,323	9,323 \$	1.00(3)
		Common stock (84.78 shares)		11/20/2007	3,768	7,080 \$	(16) 83,510.26
					35,403	38,715	
Primis Marketing Group, Inc. and Primis Holdings, LLC (6)	Database marketing services	Senior subordinated loan (\$10,222 par due 2/2013)		8/24/2006	10,222	102 \$	0.01(13)(16)
		Preferred units (4,000 units)		8/24/2006	3,600	\$	(16)
		Common units (4,000,000 units)		8/24/2006	400	\$	(16)
				14,222	102		

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Prommis Solutions, LLC, E-Default Services, LLC, Statewide Tax and Title Services, LLC & Statewide Publishing Services, LLC (formerly known as MR Processing Holding Corp.)	Bankruptcy and foreclosure processing services	Senior subordinated loan (\$16,788 par due 2/2014)	11.50% Cash, 2.00% PIK	2/8/2007	16,788	16,788 \$	1.00(4)(16)
		Senior subordinated loan (\$27,032 par due 2/2014)	11.50% Cash, 2.00% PIK	2/8/2007	27,032	27,032 \$	1.00(2)(4)
		Preferred units (30,000 units)		4/11/2006	3,000	5,759 \$	4.80(16)
					46,820	49,579	
Promo Works, LLC	Marketing services	Senior secured loan (\$8,655 par due 12/2013)	11.00%	4/1/2010	5,105	7,394 \$	0.85(16)
R2 Acquisition Corp.	Marketing services	Common stock (250,000 shares)		5/29/2007	250	176 \$	0.70(16)
Summit Business Media, LLC	Business media consulting services	Junior secured loan (\$11,930 par due 7/2014)		8/3/2007	10,276	239 \$	0.02(3)(13)
Summit Energy Services, Inc.	Energy management consulting services	Common stock (38,778 shares)		4/1/2010	222	275 \$	7.09
		Common stock (385,608 shares)		4/1/2010	2,336	2,732 \$	7.09
					2,558	3,007	
Tradesmen International, Inc.	Construction labor support	Senior subordinated loan (\$20,000 par due 5/2014)	10.00%	4/1/2010	14,048	18,000 \$	0.90(16)
		Warrants to purchase up to 771,036 shares		4/1/2010		\$	
					14,048	18,000	
VSS-Tranzact Holdings, LLC (6)	Management consulting services	Common membership interest (8.51% interest)		10/26/2007	10,204	6,215	
Trover Solutions, Inc.	Healthcare collections services	Senior subordinated loan (\$2,829 par due 11/2012)	10.50% Cash, 1.50% PIK	4/1/2010	2,829	2,829 \$	1.00(4)
		Senior subordinated loan (\$50,000 par due 11/2012)	10.50% Cash, 1.50% PIK	4/1/2010	50,000	50,000 \$	1.00(2)(4)
					52,829	52,829	
Venturehouse-Ciberneta Investors, LLC	Financial settlement services for	Equity interest		4/1/2010		\$	(16)



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	intercarrier wireless roaming								
					637,759	613,780			22.09%
<b>Healthcare-Services</b>									
Air Medical Group Holdings LLC (6)	Medical escort services	Senior secured revolving loan (\$2,250 par due 3/2011)	4.00% (Base Rate + 0.75%/Q)	4/1/2010	2,202	2,250	\$		1.00(16)
		Preferred equity interests		4/1/2010	15,107	27,439	\$		(16) 11.05
		Preferred equity interests		4/1/2010	3,098	5,626	\$		(16) 11.05
		Common equity interests		4/1/2010			\$		
					20,407	35,315			
Axium Healthcare Pharmacy, Inc.	Specialty pharmacy provider	Senior subordinated loan (\$3,160 par due 3/2015)	8.00% PIK	4/1/2010	2,903	3,002	\$		0.95(4)
CCS Group Holdings, LLC	Correctional facility healthcare operator	Class A units (1,000,000 units)		8/19/2010	1,000	1,000	\$		1.00(16)
CT Technologies Intermediate Holdings, Inc. and CT Technologies Holdings, LLC (6)	Healthcare analysis services	Preferred stock (7,427 shares)		6/15/2007	8,763	8,325	\$		(16) 1,120.92
		Common stock (9,679 shares)		6/15/2007	4,000	9,595	\$		(16) 991.32
		Common stock (1,546 shares)		6/15/2007		1,533	\$		(16) 991.58
					12,763	19,453			
DSI Renal Inc. (6)	Dialysis provider	Senior secured loan (\$9,410 par due 3/2013)	9.00% (Libor + 7.00%/M)	4/4/2006	9,121	9,410	\$		1.00(14)(16)
		Senior subordinated loan (\$67,290 par due 4/2014)	6.00% Cash, 11.00% PIK	4/4/2006	66,804	67,290	\$		1.00(4)(16)
		Common units (19,726 units)		4/4/2006	19,684	27,343	\$		(16) 1,386.14
					95,609	104,043			
GG Merger Sub I, Inc.	Drug testing services	Senior secured loan (\$11,330 par due 12/2014)	4.30% (Libor + 4.00%/Q)	12/14/2007	11,026	10,868	\$		0.96(2)
		Senior secured loan (\$12,000 par due 12/2014)	4.30% (Libor + 4.00%/Q)	12/14/2007	11,460	11,296	\$		0.94(3)
					22,486	22,164			
HCP Acquisition Holdings, LLC (7)	Healthcare compliance advisory services	Class A units (10,044,176 units)		6/26/2008	10,044	5,154	\$		0.51(16)
	Dental services		14.25%	7/31/2008	27,717	27,717	\$		1.00(16)

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Heartland Dental  
Care, Inc.

Senior subordinated  
loan (\$27,717 par due  
7/2014)

INC Research, Inc.	Consulting service provider to pharmaceutical and biotechnology companies	Senior subordinated loan (\$10,000 par due 9/2017)	13.50%	9/27/2010	10,000	10,000	\$	1.00(16)
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		Common stock (1,000,000 shares)		9/27/2010	1,000	1,000	\$	1.00(16)
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					11,000	11,000		
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Magnacare Holdings, Inc., Magnacare Administrative Services, LLC, and Magnacare, LLC	Healthcare professional provider	Senior secured revolving loan (\$350 par due 9/2016)	9.75% (Libor + 8.75%/Q)	9/13/2010	350	350	\$	1.00(14)(16)
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		Senior secured loan (\$127,500 par due 9/2016)	9.75% (Libor + 8.75%/Q)	9/13/2010	127,500	127,500	\$	1.00(14)(16)
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					127,850	127,850		
MWD Acquisition Sub, Inc.	Dental services	Junior secured loan (\$5,000 par due 5/2013)	6.51% (Libor + 6.25%/M)	5/3/2007	5,000	4,750	\$	0.95(3)
MPBP Holdings, Inc., Cohr Holdings, Inc. and MPBP Acquisition Co., Inc.	Healthcare equipment services	Junior secured loan (\$19,195 par due 1/2014)		1/31/2007	19,195	960	\$	0.05(13)(16)
		Junior secured loan (\$11,517 par due 1/2014)		1/31/2007	11,517	576	\$	0.05(3)(13)
		Common stock (50,000 shares )		1/31/2007	5,000		\$	(16)
					35,712	1,536		
NS Merger Sub. Inc. and NS Holdings, Inc.	Healthcare technology provider	Senior subordinated loan (\$579 par due 6/2017)	13.50%	6/21/2010	579	579	\$	1.00(16)
		Senior subordinated loan (\$50,000 par due 6/2017)	13.50%	6/21/2010	50,000	50,000	\$	1.00(2)
		Common stock (2,500,000 shares)		6/21/2010	2,500	2,500	\$	1.00(16)
					53,079	53,079		
OnCURE Medical Corp.	Radiation oncology care provider	Common stock (857,143 shares)		8/18/2006	3,000	2,156	\$	2.52(16)
Passport Health Communications, Inc., Passport Holding Corp. and Prism Holding Corp.	Healthcare technology provider	Senior secured loan (\$11,387 par due 5/2014)	10.50% (Libor + 7.50%/B)	5/9/2008	11,387	11,387	\$	1.00(2)(14)
		Senior secured loan (\$10,511 par due 5/2014)	10.50% (Libor + 7.50%/B)	5/9/2008	10,511	10,511	\$	1.00(3)(14)
		Series A preferred stock (1,594,457 shares)	10% PIK	7/30/2008	10,848	10,848	\$	6.80(4)(16)
		Common stock (16,106 shares)		7/30/2008	100		\$	(16)
					32,846	32,746		
PG Mergersub, Inc.	Provider of patient surveys, management reports and national databases for the integrated	Senior subordinated loan (\$4,000 par due 3/2016)	12.50%	3/12/2008	3,946	4,000	\$	1.00(16)

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	healthcare delivery system								
		Common stock (16,667 shares)		3/12/2008	167	553	\$		33.18(16)
		Preferred stock (333 shares)		3/12/2008	333	11	\$		33.00(16)
					4,446	4,564			
Reed Group, Ltd.	Medical disability management services provider	Senior secured revolving loan (\$1,250 par due 12/2013)		4/1/2010	1,097	1,063	\$		0.85(13)(16)
		Senior secured loan (\$10,755 par due 12/2013)		4/1/2010	9,129	9,142	\$		0.85(13)(16)
		Senior subordinated loan (\$19,625 par due 12/2013)		4/1/2010	15,918	10,842	\$		0.55(13)(16)
		Equity interests		4/1/2010	203		\$		(16)
					26,347	21,047			
Regency Healthcare Group, LLC (6)	Hospice provider	Preferred member interest (1,293,960 units)		4/1/2010	2,007	1,778			(16)
Soteria Imaging Services, LLC (6)	Outpatient medical imaging provider	Junior secured loan (\$1,750 par due 11/2010)	14.50%	4/1/2010	1,707	1,575	\$		0.90(16)
		Junior secured loan (\$2,500 par due 11/2010)	12.50%	4/1/2010	2,439	2,250	\$		0.90(16)
		Preferred member interest (1,823,139 units)		4/1/2010					
					4,146	3,825			
U.S. Renal Care, Inc.	Dialysis provider	Senior subordinated loan (\$20,132 par due 5/2017)	11.25% Cash, 2.00% PIK	5/24/2010	20,132	20,132	\$		1.00(4)(16)
Univita Health, Inc.	Outsourced services provider	Senior subordinated loan (\$20,935 par due 12/2014)	12.00% Cash, 3.00% PIK	12/22/2009	20,935	20,935	\$		1.00(4)(16)
VOTC Acquisition Corp.	Radiation oncology care provider	Senior secured loan (\$7,542 par due 7/2012)	11.00% Cash, 2.00% PIK	6/30/2008	7,542	7,542	\$		1.00(4)(16)
		Preferred stock (3,888,222 shares)		7/14/2008	8,748	7,511	\$		1.93(16)
					16,290	15,053			
					<b>555,719</b>	<b>538,299</b>			<b>19.37%</b>
<b>Restaurants and Food Services</b>									
ADF Capital, Inc. & ADF Restaurant	Restaurant owner and operator	Senior secured revolving loan (\$2,010 par due 11/2012)	6.50% (Libor + 3.50%/Q)	11/27/2006	2,010	2,010	\$		1.00(14)(16)

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Group, LLC

		Senior secured revolving loan (\$108 par due 11/2012)	6.50% (Base Rate + 2.50%/Q)	11/27/2006	108	108	\$	1.00(14)(16)
		Senior secured loan (\$23,149 par due 11/2013)	12.50% (Libor + 6.50%/Q)	11/27/2006	23,155	23,149	\$	1.00(2)(14)
		Senior secured loan (\$10,850 par due 11/2013)	12.50% (Libor + 6.50%/Q)	11/27/2006	10,850	10,850	\$	1.00(3)(14)
		Promissory note (\$13,105 par due 11/2016)	12.00% PIK	6/1/2006	14,886	13,214	\$	1.01(16)
		Warrants to purchase up to 0.61 shares		6/1/2006			\$	(16)
					51,009	49,331		
Encanto Restaurants, Inc. (8)	Restaurant owner and operator	Junior secured loan (\$20,997 par due 8/2013)	11.00%	8/16/2006	20,997	19,317	\$	0.92(2)
		Junior secured loan (\$3,999 par due 8/2013)	11.00%	8/16/2006	3,999	3,679	\$	0.92(3)
					24,996	22,996		

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Fulton Holdings Corp	Airport restaurant operator	Senior secured loan (\$40,000 par due 5/2016)	12.50%	5/28/2010	40,000	40,000	\$	1.00(2)(11)
		Common stock (19,672 shares)		5/28/2010	1,967	2,292	\$	116.51(16)
					41,967	42,292		
Hot Stuff Foods, LLC (7)	Convenience food service retailer	Senior secured loan (\$36,467 par due 9/2014)	10.00% (Libor + 8.50%/M)	4/1/2010	36,467	36,467	\$	1.00(14)(16)
		Junior secured loan (\$31,320 par due 9/2014)	14.00%	4/1/2010	24,581	31,421	\$	1.00(16)
		Senior subordinated loan (\$20,841 par due 2/2013)		4/1/2010			\$	(13)(16)
		Junior subordinated loan (\$31,532 par due 2/2013)		4/1/2010			\$	(13)(16)
		Class A common units (25,001 units)		4/1/2010			\$	(16)
		Class B common units (1,122,452 units)		4/1/2010			\$	(16)
					61,048	67,888		
Huddle House, Inc. (7)	Restaurant owner and operator	Senior subordinated loan (\$20,145 par due 12/2015)	12.00% Cash, 3.00% PIK	4/1/2010	19,893	16,469	\$	0.82(4)(16)
		Common stock (358,428 shares)		4/1/2010			\$	
					19,893	16,469		
OTG Management, Inc.	Airport restaurant operator	Junior secured loan (\$7,546 par due 6/2013)	16.00% (Libor + 11.00% Cash, 2.00% PIK/M)	6/19/2008	7,546	7,546	\$	1.00(4)(14)(16)
		Junior secured loan (\$41,603 par due 6/2013)	18.00% (Libor + 11.00% Cash, 4.00% PIK/M)	6/19/2008	41,695	41,603	\$	1.00(4)(14)(16)
		Warrants to purchase up to 100,857 shares of common stock		6/19/2008	100	4,424	\$	43.86(16)
		Warrants to purchase up to 9 shares of common stock		6/19/2008			\$	(16)
					49,341	53,573		
PMI Holdings, Inc.	Restaurant owner and operator	Senior secured revolving loan (\$575 par due 5/2015)	10.00% (Libor + 8.00%/B)	5/5/2010	575	575	\$	1.00(14)(16)

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		Senior secured loan (\$9,946 par due 5/2015)	10.00% (Libor + 8.00%/B)	5/5/2010	9,946	9,946 \$	1.00(2)(14)
		Senior secured loan (\$9,946 par due 5/2015)	10.00% (Libor + 8.00%/B)	5/5/2010	9,946	9,946 \$	1.00(3)(14)
		Senior secured loan (\$4 par due 5/2015)	10.25% (Base Rate + 7.00%/M)	5/5/2010	4	4 \$	0.92(2)
		Senior secured loan (\$4 par due 5/2015)	10.25% (Base Rate + 7.00%/M)	5/5/2010	4	4 \$	0.92(3)
					20,475	20,475	
S.B. Restaurant Company	Restaurant owner and operator	Senior secured loan (\$38,327 par due 4/2011)	11.75%	4/1/2010	28,546	35,598 \$	0.93(16)
		Preferred stock (46,690 shares)		4/1/2010		\$	(16)
		Warrants to purchase up to 534,049 shares of common stock		4/1/2010		\$	(16)
					28,546	35,598	
Vistar Corporation and Wellspring Distribution Corp.	Food service distributor	Senior subordinated loan (\$31,625 par due 5/2015)	13.50%	5/23/2008	31,625	31,625 \$	1.00(16)
		Senior subordinated loan (\$30,000 par due 5/2015)	13.50%	5/23/2008	30,000	30,000 \$	1.00(2)
		Class A non-voting common stock (1,366,120 shares )		5/3/2008	7,500	5,391 \$	3.95(16)
					69,125	67,016	
					<b>366,400</b>	<b>375,638</b>	<b>13.52%</b>
<b>Financial Services</b>							
AllBridge Financial, LLC (7)	Asset management services	Equity interests		4/1/2010	11,370	11,325 \$	0.28(16)
Callidus Capital Corporation (7)	Asset management services	Senior subordinated loan (\$4,594 par due 8/2013)		4/1/2010	4,120	4,594 \$	1.00(13)(16)
		Common stock (100 shares )		4/1/2010		2,106 \$	21,060(16)
					4,120	6,700	
Carador PLC (6)(8)(9)	Investment company	Ordinary shares (7,110,525 shares )		12/15/2006	9,033	4,586 \$	0.64(16)
Ciena Capital LLC (7)	Real estate and small business loan servicer	Senior secured revolving loan (\$319,031 par due 3/2009)		4/1/2010	78,971	77,690 \$	0.24(13)
				4/1/2010	5,041	1,210 \$	0.24(13)

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		Senior secured loan (\$4,969 par due 3/2011)						
		Class B equity interests		4/1/2010			\$	
		Class C equity interests		4/1/2010			\$	
					84,012	78,900		
Commercial Credit Group, Inc.	Commercial equipment finance and leasing company	Senior subordinated loan (\$6,000 par due 6/2015)	15.00%	4/1/2010	6,000	6,000	\$	1.00
		Senior subordinated loan (\$4,000 par due 6/2015)	15.00%	4/1/2010	4,000	4,000	\$	1.00
		Senior subordinated loan (\$9,500 par due 6/2015)	15.00%	4/1/2010	9,500	9,500	\$	1.00
					19,500	19,500		
Compass Group Diversified Holdings, LLC (17)	Middle market business manager	Senior secured revolving loan (\$5,147 par due 12/2012)	2.76% (Libor + 2.50%/Q)	4/1/2010	5,147	5,147	\$	1.00(16)
		Senior secured revolving loan (\$882 par due 12/2012)	2.80% (Libor + 2.50%/Q)	4/1/2010	882	882	\$	1.00(16)
		Senior secured revolving loan (\$735 par due 12/2012)	2.80% (Libor + 2.50%/Q)	4/1/2010	735	735	\$	1.00(16)
		Senior secured revolving loan (\$684 par due 12/2012)	4.75% (Base Rate + 1.50%/M)	4/1/2010	684	684	\$	1.00(16)
					7,448	7,448		



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Financial Pacific Company (7)	Commercial finance leasing	Senior subordinated loan (\$20,902 par due 2/2012)	7.99%	4/1/2010	11,264	11,760	\$	0.56(16)
		Senior subordinated loan (\$20,902 par due 2/2012)	7.99%	4/1/2010	11,263	11,760	\$	0.56(16)
		Senior subordinated loan (\$19,334 par due 2/2012)	7.99%	4/1/2010	10,373	10,878	\$	0.56(16)
		Junior subordinated loan (\$10,399 par due 8/2012)		4/1/2010			\$	(16)
		Preferred stock (8,583 shares )		4/1/2010			\$	(16)
		Preferred stock (424 shares )		4/1/2010			\$	(16)
		Preferred stock (450 shares )		4/1/2010			\$	(16)
		Common stock (12,711 shares )		4/1/2010			\$	(16)
						32,900	34,398	
Imperial Capital Group, LLC and Imperial Capital Private Opportunities, LP (6)(9)	Investment company	Common units (2,526 shares )		5/10/2007	3	4,637	\$	1,835.31(16)
		Common units (315 shares )		5/10/2007		578	\$	1,834.92(16)
		Common units (7,710 shares )		5/10/2007	14,997	14,152	\$	1,835.54(16)
		Limited partnership interest (80% interest)		5/10/2007	6,794	5,316		(16)
					21,794	24,683		
Ivy Hill Asset Management, L.P. (7)	Asset management services	Member interest		6/15/2009	96,328	119,976	\$	1.25(16)
VSC Investors LLC (9)	Investment company	Membership interest (4.63% interest)		1/24/2008	819	642		(16)
					<b>287,324</b>	<b>308,158</b>		<b>11.09%</b>
<b>Consumer Products-Non-durable</b>								
Augusta Sportswear, Inc.	Manufacturer of athletic apparel	Senior secured loan (\$15,561 par due 7/2015)	8.50% (Libor + 7.50%/Q)	9/3/2010	15,561	15,561	\$	1.00(2)(14)
		Senior secured loan (\$9,377 par due 7/2015)	8.50% (Libor + 7.50%/Q)	9/3/2010	9,377	9,377	\$	1.00(3)(14)

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					24,938	24,938		
Blacksmith Brands Holdings, Inc. and Blacksmith Brands, Inc.	Consumer products and personal care manufacturer	Senior secured loan (\$22,060 par due 12/2014)	12.50% (Base Rate + 8.50%/Q)	10/23/2009	22,060	22,060	\$	1.00(14)(16)
Gilchrist & Soames, Inc.	Personal care manufacturer	Senior subordinated loan (\$23,519 par due 10/2013)	13.44%	4/1/2010	22,686	23,519	\$	1.00(16)
Insight Pharmaceuticals Corporation (6)	OTC drug products manufacturer	Senior subordinated loan (\$5,271 par due 9/2012)	13.00% Cash, 2.00% PIK	4/1/2010	5,271	5,271	\$	1.00(14)(16)
		Senior subordinated loan (\$50,000 par due 9/2012)	13.00% Cash, 2.00% PIK	4/1/2010	50,000	50,000	\$	1.00(14)(16)
		Common stock (155,000 shares)		4/1/2010	12,070	12,627	\$	81.46(16)
					67,341	67,898		
Making Memories Wholesale, Inc. (7)	Scrapbooking branded products manufacturer	Senior secured revolving loan (\$250 par due 8/2014)	10.00% (Libor + 6.50%/Q)	8/21/2009	250	250	\$	1.00(14)(16)
		Senior secured revolving loan (\$250 par due 8/2014)	10.00% (Libor + 6.50%/Q)	8/21/2009	250	250	\$	1.00(14)(16)
		Senior secured revolving loan (\$500 par due 8/2014)	10.00% (Libor + 6.50%/Q)	8/21/2009	500	500	\$	1.00(14)(16)
		Senior secured loan (\$9,625 par due 8/2014)	10.00% (Base Rate + 5.50%/Q)	8/21/2009	7,670	7,475	\$	0.78(14)(16)
		Senior secured loan (\$5,436 par due 8/2014)		8/21/2009	4,059		\$	(13)(16)
		Common stock (100 shares)		8/21/2009			\$	(16)
					12,729	8,475		
The Step2 Company, LLC	Toy manufacturer	Senior secured loan (\$94,358 par due 4/2012)	12.00% Cash, 1.00% PIK	4/1/2010	89,300	86,479	\$	0.92(4)(16)
		Common equity interest		4/1/2010			\$	(16)
		Preferred equity interest		4/1/2010	24		\$	(16)
					89,324	86,479		
The Thymes, LLC (7)	Cosmetic products manufacturer	Preferred units (6,283 units)	8.00% PIK	6/21/2007	6,920	6,424	\$	1,022.51(4)
		Common units (5,400 units)		6/21/2007			\$	(16)
					6,920	6,424		
Woodstream Corporation	Pet products manufacturer	Senior subordinated loan (\$4,743 par due 2/2015)	12.00%	1/22/2010	4,534	4,506	\$	0.95(16)

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	Senior subordinated loan (\$50,257 par due 2/2015)	12.00%	1/22/2010	43,264	47,745 \$	0.95(16)
	Common stock (4,254 shares)		1/22/2010	1,222	2,153 \$	506.12(16)
				49,020	54,404	
				<b>295,018</b>	<b>294,197</b>	<b>10.59%</b>

**Education**

Campus Management Corp. and Campus Management Acquisition Corp. (6)	Education software developer	Preferred stock (493,147 shares)	2/8/2008	9,949	13,811 \$	28.01(16)
Community Education Centers, Inc.	Offender re-entry and in-prison treatment services provider	Senior subordinated loan (\$38,096 par due 11/2013)	4/1/2010	35,203	37,334 \$	0.98(13)(16)

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eInstruction Corporation	Developer, manufacturer and retailer of educational products	Junior secured loan (\$17,000 par due 7/2014)	7.79% (Libor + 7.50%/M)	4/1/2010	14,761	15,300	\$	0.90(16)
		Senior subordinated loan (\$22,356 par due 1/2015)	16.00% PIK	4/1/2010	20,355	21,238	\$	0.95(4)(16)
		Common stock (2,406 shares)		4/1/2010	926	1,710	\$	710.72(16)
					36,042	38,248		
ELC Acquisition Corporation	Developer, manufacturer and retailer of educational products	Senior secured loan (\$160 par due 11/2012)	3.51% (Libor + 3.25%/M)	11/30/2006	160	160	\$	1.00(3)
		Junior secured loan (\$8,333 par due 11/2013)	7.26% (Libor + 7.00%/M)	11/30/2006	8,333	8,333	\$	1.00(3)
					8,493	8,493		
Instituto de Banca y Comercio, Inc. & Leeds IV Advisors, Inc. (8)	Private school operator	Series B preferred stock (1,401,385 shares)		8/5/2010	4,004	4,004	\$	2.86(16)
		Series B preferred stock (348,615 shares)		8/5/2010	996	996	\$	2.86(16)
		Series C preferred stock (1,994,644 shares)		6/7/2010	547	2,586	\$	1.30(16)
		Series C preferred stock (517,942 shares)		6/7/2010	142	672	\$	1.30(16)
		Common stock (16 shares)		6/7/2010			\$	(16)
		Common stock (4 shares)		6/7/2010			\$	(16)
					5,689	8,258		
JTC Education Holdings, Inc.	Postsecondary school operator	Senior secured loan (\$20,123 par due 12/2014)	12.50% (Libor + 9.50%/M)	12/31/2009	20,123	20,123	\$	1.00(14)(16)